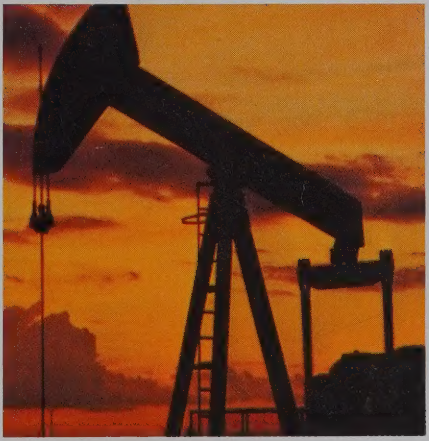
Canadian Pacific Limited
1972 Annual Report

file



1973 Annual Meeting

The Annual General Meeting of the Shareholders is being held on Wednesday, May 2nd next, at Le Château Champlain, Place du Canada, Montreal, at eleven a.m. (daylight saving time, if operative).

Stock Transfer Agents

The Royal Trust Company,
1648 Hollis Street, Halifax, N.S.;
1 King Street, Saint John, N.B.;
630 Dorchester Boulevard West, Montreal;
Royal Trust Tower,
Toronto Dominion Centre, Toronto;
287 Broadway, Winnipeg;
101 McCallum Hill Building, Regina;
600 - 7th Avenue S.W., Calgary;
Royal Trust Tower, Bentall Centre,
555 Burrard Street, Vancouver.

Bank of Montreal Trust Company,
2 Wall Street, New York

Deputy Secretary,
8 Waterloo Place, London SW1Y 4AQ, England

Stock Listings

Debenture Stock (Sterling) listed on:
London Stock Exchange

Debenture Stock (U.S. Currency) listed on:
New York Stock Exchange

Preference Stock (Sterling) listed on:
Montreal, Toronto, Vancouver and London, Eng. Stock Exchanges

Preference Stock (Canadian Dollar) listed on:
Montreal, Toronto, Vancouver and London, Eng. Stock Exchanges

Preferred Shares, Series A listed on:
Montreal, Toronto, Vancouver and London, Eng. Stock Exchanges

Ordinary Stock listed on:
Montreal, Toronto, Vancouver, New York and London, Eng. Stock Exchanges

Shareholders having inquiries should write to:
J. C. Ames, Secretary,
Canadian Pacific Limited,
Montreal 101, Canada.

Contents

Summary of Earnings and Dividends . . . 1
Directors' Report 2–6
Five-year Summaries . . . . . inside back cover

Canadian Pacific Limited

Directors and Officers 7
Statement of Income 8
Statement of Retained Income 9
Statement of Source and Application of Funds 9
Balance Sheet and Auditors' Report . . . 10–11
Notes to Financial Statements 12–14

Canadian Pacific Air Lines, Limited

Directors and Officers 15
Statement of Income 16
Statement of Retained Income 17
Statement of Source and Application of Funds 17
Balance Sheet and Auditors' Report . . . 18–19
Notes to Financial Statements 20

Canadian Pacific Investments Limited

Directors and Officers 21
Statement of Consolidated Income 22
Statement of Consolidated Retained Income 23
Statement of Consolidated Source and Application of Funds 23
Consolidated Balance Sheet and Auditors' Report 24–25
Consolidated Investment Portfolio 26
Notes to Financial Statements 26–28

Summary

Summary of Earnings of the Company and its Subsidiaries and of Dividends Declared

	1972	Per Ordinary Share	1971	Per Ordinary Share
	(in thousands, except amounts per share)			
Earnings of the Company and its Subsidiaries				
Net railway earnings	**$57,625**		$45,756	
Other income	**20,844**		26,591	
Income before fixed charges	**78,469**		72,347	
Fixed charges	**33,773**		33,768	
Income from railway and miscellaneous sources	**44,696**	**$0.57**	38,579	$0.49
Income (being dividends received) from				
Canadian Pacific Investments Limited	**23,649**	**0.33**	23,649	0.33
Canadian Pacific Air Lines, Limited	**2,150**	**0.03**	1,433	0.02
Total, excluding earnings retained by subsidiaries and before extraordinary items	**70,495**	**0.93**	63,661	0.84
Equity in earnings retained by subsidiaries	**23,680**	**0.33**	6,995	0.10
Total before extraordinary items	**94,175**	**1.26**	70,656	0.94
Extraordinary items (C.P.L. 1972 – Nil; 1971 – $1,848,000)	**1,931**	**0.03**	4,884	0.07
Total	**$96,106**	**$1.29**	$75,540	$1.01
Dividends Declared				
On 7¼% Preferred stock	**$ 3,305**		$ 1,464	
On 4% Preference stock	**$ 545**		$ 1,938	
On Ordinary stock				
From railway and miscellaneous sources	**$24,365**	**34¢**	$22,215	31¢
Flow-through from Canadian Pacific Investments Limited	**23,649**	**33**	23,649	33
Flow-through from Canadian Pacific Air Lines, Limited	**2,150**	**3**	1,433	2
	$50,164	**70¢**	$47,297	66¢

Directors' Report

Earnings and Dividends

1972 was a better year for Canadian Pacific. Total earnings, including those of subsidiaries, amounted to \$96.1 million, or \$1.29 per Ordinary share. Before extraordinary items, earnings were at an all time high of \$94.2 million, or \$1.26 per Ordinary share. Dividends on the Ordinary stock also set a record at 70¢ per share.

Compared with 1971, total earnings were up \$20.6 million, or 28¢ per Ordinary share; excluding extraordinary items the increase was \$23.5 million, or 32¢ per share. The improvement was due not just to one or two areas of strength, but came from nearly every sector of the wide range of the Company's activities. Rail, truck, and air transport and telecommunications all showed earnings gains. The exception in the transportation area was ships.

Growth in the income of Canadian Pacific Investments Limited was also broadly based. Earnings of every one of its operating groups – oil and gas, timberlands, hotels, real estate, and the investment portfolio – were well ahead of the previous year. Its subsidiary, Cominco Ltd., also reported net profits sharply up from the depressed year 1971. Another subsidiary, however, The Great Lakes Paper Company, Limited, unable to overcome the disadvantages of continued weakness in newsprint markets and an unfavourable exchange situation, was an exception to the overall pattern of higher earnings.

The Company's goal for 1972 was to achieve an increase in earnings in excess of the growth rate for the Canadian economy as a whole. Triggered mainly by strong domestic demand and by vigorous activity in housing construction, Canada's gross national product, in current dollars, is estimated to have grown at just over 10%. With a 27% increase in its earnings for the year, the Company fully realized its objective. This accomplishment was the product of both long and short range planning to create physical facilities and an organizational structure equipped to respond to opportunities for growth.

Efforts of officers and employees of the parent company and subsidiary companies alike were vital to the year's success, as was the patronage of thousands of customers all over the globe. The Directors express their warm appreciation to both these important groups.

Details of the financial results of the major operations are provided in the Financial Review, beginning on page 5.

Prospects Bright for 1973

Businessmen and professional economists are broadly agreed that the momentum of the Canadian economy in 1972 will carry over into 1973. Rapid economic growth in the United States and improving business conditions in Western Europe and Japan suggest that exports will be buoyant – unless trade is disrupted by continuing international monetary instability. Given a combination of continuing strong domestic demand and increasing foreign demand, the Canadian economy should move vigorously upward. The full potential for growth would not be realized, however, if crippling strikes were to occur in the course of the many labour contract negotiations coming up this year. It can be added that if wage settlements reached in negotiations are excessive in relation to prospective gains in productivity, there will be slight hope for any slackening in the rise of prices.

The Company is well positioned to take advantage of the opportunities that a period of balanced economic expansion promises. However, it is going to take more effort than ever to translate such opportunities into realized net income. Competition in many areas is increasingly vigorous, and spiralling costs are a continuing threat to profitable operation. For most of the Company's enterprises the prospects are that in 1973 these problems can be successfully overcome.

CP Rail's marketing program for 1973 includes plans for further development of intermodal traffic. More export coal will move in 1973. Canadian railways have been negotiating with steel producers in Japan on revision of escalation provisions governing rail rates for coal. Potash, automobile, pool car and container traffic are all expected to follow an upward trend.

Strength in international trade would have a beneficial effect on the results of CP Steamships. Additionally, capacity in the North Atlantic shipping trade appears to have reached a plateau, and while competition continues keen, it is not likely to become more intense.

Growth of CP trucking revenues will be aided by expansion and upgrading of CP Transport's fleet. Rate increases and improvements in productivity will be needed to counterbalance cost increases which are foreseen.

Planning of CP Telecommunications is based on expectations of a continuing high rate of expansion in markets for telecommunications services, and rapid introduction of new technology in the industry. In the last quarter of 1972 contracts were secured which will materially improve revenues in 1973 and subsequent years.

It is necessary to be cautious about the outlook for CP Air. The vigorous upsurge in traffic which occurred in 1972 seems likely to be repeated in

view of the favorable economic conditions predicted for 1973. Nonetheless, cost increases in this operation will likely outstrip revenue gains. Two major uncertainties are the effect of new charter rules on scheduled services and the absence of a fare agreement on North Atlantic services.

Canadian Pacific Investments Limited is looking to further increases in earnings in 1973. Higher prices already in effect for oil and in prospect for gas will augment earnings from oil and gas operations. On the other hand, indications are that Fording Coal Limited will show a loss. Continuing heavy demand for logs and lumber supports expectations of increased income from timberland activities. The rising trend of real estate income should continue. Hotels and restaurants will benefit from the high levels of business and pleasure travel that accompany prosperity. Present indications for Cominco are good, based on improved demand and price for zinc and increased production of lead and fertilizers. Great Lakes Paper has a new stud mill coming into operation in 1973 and both demand and price for its newsprint production appear to be better than they have been for some time past. Cominco and Great Lakes could both be adversely affected by any increase in the value of the Canadian dollar in relation to the U.S. dollar.

Summing up, the prospects for 1973 are that the Canadian economy will experience substantial growth. In that setting the Company expects to make further gains in earnings.

Development Highlights

Among the activities undertaken in 1972 and the plans made or set in motion, certain developments were of particular significance because of their effect on the range, the scale, or the quality of the Company's services and hence on the sources of the Company's earnings. A brief review of these major developments follows.

Natural Gas Pipelines Studied

During 1972 Canadian Pacific Investments Limited joined the consortium responsible for incorporating Canadian Arctic Gas Study Limited, which is sponsoring planning for construction of a natural gas pipeline south from the Mackenzie Delta and Prudhoe Bay via the Mackenzie River Valley. Canadian Pacific Investments has also joined in the Polar Gas Project, which is exploring the feasibility of constructing a natural gas pipeline from the Arctic Islands to Eastern Canada and the United States border.

International Freight Services Coordinated

In 1972 a new holding company, CanPac International Freight Services Limited, was established to provide services related to the movement of freight between Canada and foreign countries. The new company brought together such functions as customs brokerage, ship agency, and operation of sufferance warehouses previously performed by a number of subsidiaries and agencies. Since its formation the company has acquired a large Montreal customs brokerage house which substantially augments its capacity in that field.

Marine Systems To Be Explored

Incan Marine Limited, a new company formed in 1972 in partnership with Inchcape and Company Limited of London, England, will study and, where appropriate, develop and exploit marine opportunities in conjunction with other means of transport. The area of particular immediate interest is the Lower St. Lawrence and eastern coastal waters not now served by Canadian Pacific.

CP (Bermuda) Expands Fleet formed in 1964

By the end of 1974, just ten years after its formation, CP (Bermuda) will have a diversified fleet of 19 modern crude oil tankers, refined oil product tankers and bulk carriers with a total deadweight tonnage of over 1.6 million.

The first of three 30,000-ton refined oil product tankers expected during 1973 was placed in service in March. This vessel will operate initially in the spot charter market, while the other two have been chartered to a large international oil company. A 120,000-ton bulk carrier is scheduled to go into service in November. To be 1973? delivered in 1974 are two more 30,000-ton refined oil product tankers, a 250,000-ton crude oil tanker, and two additional 120,000-ton bulk carriers.

Container Ports Enlarged

A $2.3 million expansion program is under way at the Wolfe's Cove container terminal at Quebec City, North American hub of the CP Steamships' container distribution system. To keep pace with the growth in container traffic, the storage area is being enlarged and a second 35-ton crane is being built which will enable CP Steamships to reduce the turnaround time of its vessels. Additional handling equipment – new side loading vehicles – will allow for a quicker flow of containers in and out of the terminal.

CP Rail's container terminal at Saint John, N.B., after one year of successful operation, is also being enlarged and relocated. In the new location, two cranes will be used to unload simultaneously two of the giant container vessels which now visit the port on a regular basis.

Hotels To Go International

The CP Hotels chain will expand abroad to take advantage of the growing market for international travel. Plans for 1973 include operation of hotels in Mexico and the construction overseas of other hotels.

Construction of the Chateau Halifax, the 312-room luxury hotel in the Scotia Square development in Halifax, N.S., continues, with opening of the hotel expected in the second half of 1973.

747's for CP Air

To keep pace with anticipated growth in air travel, orders have been placed for two Boeing 747's for delivery late in 1973. CP Air intends initially to operate them on the Orient and Transcontinental routes.

Extensive modification and refurbishing is being carried out on the interiors of the Douglas DC-8 aircraft. Fresh, brighter surroundings will be created and greater passenger comfort provided. Total cost of these renovations will run to more than $5 million.

CP Telecommunications Gets Satellite Channels

CP Telecommunications is participating both as a user and a shareholder in Canada's new domestic communications satellite, Anik I, which became operational early in 1973.

In 1973 CP-CN's trans-Canada microwave system is being extended to Halifax and Sydney in the east and, in the west, to Prince George and Nelson.

A decision is awaited from the Canadian Transport Commission on CP-CN's 1971 application for permission to raise some rates, principally those for Telex and leased services. An extensive inquiry by the Commission into cost determination in the telecommunication industry, launched in January 1972, is expected to take up to two years to complete. It is hoped that this will lay the basis for speedier handling in future years of requests for changes in rates.

Fording Coal Shipments Begin

Fording Coal Limited, owned 60% by CPI and 40% by Cominco, began shipping coal in April 1972 and to the end of the year had shipped one million tons. The quality of the coal has been in excess of specifications.

A series of equipment start-up problems was responsible for lower production of clean coal than had been planned. The difficulties are being overcome and during the second quarter of 1973 it is expected that monthly production will reach 250,000 tons, the full monthly target rate for the second contract year. Total capital cost of the project at December 31, 1972 was about $90 million. Preliminary discussions have begun on revision of the 1969 contract price.

Real Estate Activities

Marathon Realty Company Limited, a wholly-owned subsidiary of CPI, has begun construction in Vancouver of a medium density residential-commercial development called Arbutus Village. The initial residential phase will consist of some 180 condominium units. This is Marathon's first venture into construction for resale. Construction of the commercial and retail space, which will be retained by Marathon, will begin in the Spring of 1973.

During 1972, Stage II of the Orchard Park shopping centre at Kelowna, B.C., was completed and substantially leased.

The Granville Square office building in downtown Vancouver, part of Project 200, would have been ready for occupancy in November had it not been for the strike of elevator installers.

A revised and expanded plan of development for the Windsor Station area in Montreal has been adopted. This new approach defers commencement to mid-1973.

CP Rail Promotes Sales

CP Rail has established a European-based marketing and sales office with headquarters in London and branch offices in Paris and Hamburg.

A study of refined oil product distribution undertaken jointly with the petroleum industry was concluded during 1972 and revealed a number of possibilities for introduction of joint rail and truck transportation service. Plans for implementation will be developed during 1973.

Efforts are continuing to encourage eastward movement of Western Canadian thermal coal.

Record Grain Movement

CP Rail moved a record 240,000 cars of grain from Western Canada in 1972. At the peak of the movement more than 15,000 freight cars – about one-third of CP Rail's total box and hopper car fleet – were in use, and up to 60 diesel units were leased to provide the extra power needed. To supplement the railways' grain carrying capacity, the Government of Canada has purchased 2,000 covered hopper cars, of which 1,074 are being assigned to CP Rail.

Encouraged by the cooperation which made possible the introduction of the more efficient block grain shipping system, the grain industry, through the Canada Grains Council, is now concentrating efforts on finding acceptable alternatives to the present costly grain gathering system in Western Canada.

Rail Passenger Services

It is hoped to submit a plan for rationalization of transcontinental passenger service to the Canadian Transport Commission in 1973. Meanwhile, negotiations have been carried on with the Canadian National on the sharing of station and servicing facilities, on making tickets interchangeable, and on integration of the reservation systems of the two companies.

In response to a request by the Commission, CP Rail has submitted a plan for reducing losses on its Maritime passenger services.

Financial Review

CP Rail

Net railway earnings of $57.6 million were $11.9 million, or 26%, higher than in 1971.

Rail freight revenues rose by $46.3 million, or 8%. Revenues from coal, grain and lumber movements were up substantially. The higher coal revenues reflected both the beginning of export shipments by Fording Coal and a substantial increase in the volume shipped by Kaiser Resources. Canadian contracts with Russia, China and Japan all contributed to the heavier grain movement and an upsurge of housing starts in both Canada and the United States accounted for the greater lumber shipments. Pool car, container and piggyback traffic also increased. Major declines were recorded in potash and newsprint.

Government payments in accordance with provisions of the National Transportation Act amounted to $30.4 million for the year. In 1972 payments comprised the normal payment of $16.2 million, $5.6 million less than in 1971, and payments totalling $14.2 million representing partial compensation for the excess of specific claims for 1970 and 1971 over the normal payments for those years.

To offset to some extent the impact of higher wages, material prices and capital costs, prices for freight services were increased selectively at various times during the year. As in past years, percentage increases were progressively reduced as mileage increased, so as to minimize their effect on traffic to and from the Western and Atlantic provinces.

Railway expenses were up $39.1 million, or 6%, over the previous year. More than half of this increase was due to higher wage rates.

During the year the Company received notices from unions representing some 20,000 non-operating, 7,400 shop, and 5,900 operating employees requesting increased wages and benefits. Notices were also received early in 1973 from unions representing 700 firemen and 1800 locomotive engineers. Where requested by the Company and the unions, mediation assistance has been provided by the Canada Department of Labour. Mediation proceedings with the associated non-operating groups broke down in mid-February, but were resumed at the request of the Minister of Labour and are now continuing.

Telecommunications

Earnings from telecommunications, before income taxes, amounted to $7.1 million, an increase of $1.9 million, or 37%, compared with 1971. Revenues from Telex services were up substantially, while the other service areas showed modest improvement. Higher wage and material costs were partially offset by achievement of economies in a number of areas.

Shipping

Net earnings of CP (Bermuda) were a substantial $8.5 million. As had been expected, this was below the $11.1 million of 1971 which included non-recurring earnings from spot charters.

Container carryings of CP Steamships were at a high level before and after the four-month period of port strikes in Canada and the United Kingdom. Effects of these strikes accounted for most of the $5.3 million loss for the year.

Earnings from the B.C. coastal vessels were slightly higher, while the loss on the Bay of Fundy increased due to the operation for a full year of the new "Princess of Acadia".

Withdrawal from service during 1971 of the last of the Empress and Beaver vessels eliminated the $2.7 million loss incurred through their 1971 operation.

Trucking

Higher trucking revenues, attributable both to generally better economic conditions and to improvement in market share, aided CP Transport in achieving an increase in net earnings in 1972. Another factor contributing to the improvement was the savings produced by coordination of marketing and management functions of Smith Transport, CP Express, and the Western Division of CP Transport.

CP Air

Net income of CP Air rose to $5.2 million from $2.1 million in 1971. The upturn in business followed more than two years of a severely depressed market in airline transportation. Passenger revenues, at $141.7 million, were up nearly 10% despite a 12-day shutdown in January 1972 due to the strike of Canadian air traffic controllers. Substantial revenue increases from the transcontinental service reflected continuing public acceptance of the Executive Jet program.

In October a new transcontinental fare structure was introduced which incorporated low promotional excursion fares.

All international routes produced higher revenues notwithstanding that CP Air offered less capacity on some routes and on others wide-bodied aircraft provided stiff competition.

Operating expenses increased more than 7%. The increase is accounted for both by additional staff required for the expanded volume of traffic carried and by higher rates of wages, salaries and employee benefits. Total employee costs amounted to $64.0 million in 1972, up 12% over the previous year.

Canadian Pacific Investments Limited

CPI had consolidated net income of $44.3 million for the year, compared with $35.8 million in 1971. The increase of $8.5 million was the net of $6.2 million more in income from operations, an additional $3.4 million of equity in income of subsidiaries not consolidated, and a decrease of $1.1 million in extraordinary items.

A copy of the 1972 annual report of CPI can be secured by writing to the Secretary of that company at Windsor Station, Montreal, Quebec.

New Financing

In December 1972 Canadian Pacific Limited obtained a bank loan of $35.0 million in U.S. funds, for a term of just over 7 years at a rate of 7¼%.

During the year an agreement was entered into to borrow $30 million in the form of a 7-year average term bank loan, with interest at 1% above the bank's prime lending rate but with a maximum of 8¼%. This loan will be drawn down in 1973.

Fixed charges for the year, at $33.8 million, were unchanged from 1971. Interest on new borrowings was offset by interest reductions due to maturities and redemptions.

Stock Holdings

The number of registered holdings of the capital stock of the Company at December 31, 1972 was 71,582.

The distribution by countries of total voting rights of the Ordinary and Preference stock at that date was as follows:

Canada	63.04%
United States	18.10
United Kingdom & Other British	10.45
Other Countries	8.41
	100.00%

Valuation Day Prices

Market values of shares of Canadian Pacific Limited on Valuation Day, December 22, 1971, for purposes of The Income Tax Act, are as follows:

7¼% Cumulative Redeemable Preferred Shares, Series A – per share	$10.75
4% Non-cumulative Preference stock	
– Canadian dollar units ($15 par value)	9.63
– Sterling units (£5 par value)	7.75
Ordinary stock – per share	13.88

Directorate

It is with deep regret that the Directors record the loss by death, in July 1972, of Mr. George Maxwell Bell. He had been a Director since 1963.

Mr. F. H. Sherman was appointed a Director to succeed Mr. Bell.

Effective December 31, 1972 Sir George Bolton, K.C.M.G. and Mr. Cyril F. H. Carson, Q.C. retired from the Board. The Directors desire to record their warm appreciation for the notable contribution to the affairs of the Company that has been made by these retiring members during the long period of their association with the Board.

Mr. Paul L. Paré was appointed a Director to succeed Sir George Bolton and Mr. Allan Findlay, Q.C. was appointed a Director to succeed Mr. Carson.

For the Directors,

President

Chairman and Chief Executive Officer

Montreal, March 12, 1973.

Canadian Pacific Limited

Board of Directors and Officers

Directors

*W. A. Arbuckle, *Chairman of the Canadian Board,*
The Standard Life Assurance Company, Montreal

W. J. Bennett, O.B.E., *President,*
Iron Ore Company of Canada, Montreal

*F. S. Burbidge, *President,*
Canadian Pacific Limited, Montreal

*Keith Campbell, *Vice-President,*
Canadian Pacific Limited, Montreal

The Honourable J. V. Clyne, C.C., K. St. J.,
Chairman of the Board,
MacMillan Bloedel Limited, Vancouver

N. R. Crump, C.C., *Director,*
Canadian Pacific Limited, Calgary

Allan Findlay, Q.C., *Partner,*
Tilley, Carson & Findlay, Toronto

G. Arnold Hart, M.B.E.,
Chairman of the Board and Chief Executive Officer,
Bank of Montreal, Montreal

Allard Jiskoot, *Partner,*
Pierson, Heldring & Pierson, Amsterdam, The Netherlands

David Kinnear, *Chairman of the Board,*
The T. Eaton Co. Limited, Toronto

H. J. Lang, *Chairman and Chief Executive Officer,*
Canron Limited, Montreal

*Herbert H. Lank, *Director,*
Du Pont of Canada Limited, Montreal

*W. Earle McLaughlin, *Chairman and President,*
The Royal Bank of Canada, Montreal

J. H. Moore, *President,*
Brascan Limited, Toronto

Paul L. Paré, *President and Chief Executive Officer,*
Imasco Limited, Montreal

Claude Pratte, Q.C., *Advocate,*
Quebec City

Lucien G. Rolland, *President and General Manager,*
Rolland Paper Company, Limited, Montreal

A. M. Runciman, *President,*
United Grain Growers Limited, Winnipeg

F. H. Sherman, *President and Chief Executive Officer,*
Dominion Foundries and Steel, Limited, Hamilton

*Ian D. Sinclair, *Chairman and Chief Executive Officer,*
Canadian Pacific Limited, Montreal

*H. Greville Smith, C.B.E., *President,*
Canadian International Investment Trust Limited,
Montreal

Norman E. Whitmore, *President,*
Wascana Investments Limited, Regina

Henry S. Wingate,
Director and Chairman of the Advisory Committee,
The International Nickel Company of Canada, Limited

Ray D. Wolfe, *President,*
The Oshawa Group Limited, Toronto

*Member of the Executive Committee

Officers

Ian D. Sinclair, *Chairman and Chief Executive Officer,*
Montreal

F. S. Burbidge, *President,*
Montreal

Keith Campbell, *Vice-President,*
Montreal

Corporate Services

J. K. Dakin, *Vice-President Personnel and Pensions,*
Montreal

Donald S. Maxwell, Q.C.,
Vice-President Law and General Counsel,
Montreal
Nepveu

P. A. Nepveu, *Vice-President and Comptroller,*
Montreal

W. J. Stenason, *Vice-President Administration,*
Montreal

J. C. Ames, *Secretary,*
Montreal

D. E. Sloan, *Treasurer,*
Montreal

CP Rail

Keith Campbell, *Senior Executive Officer,*
Montreal

J. C. Anderson, *Vice-President Industrial Relations,*
Montreal

J. M. Bentham, *Vice-President Purchases and Stores,*
Montreal

D. M. Dunlop, *Vice-President Operation and Maintenance,*
Montreal

A. F. Joplin, *Vice-President Marketing and Sales,*
Montreal

J. N. Fraine,
Senior Regional Vice-President, Pacific Region,
Vancouver

R. S. Allison, *Vice-President, Prairie Region,*
Winnipeg

G. E. Benoit, *Vice-President, Atlantic Region,*
Montreal

L. R. Smith, *Vice-President, Eastern Region,*
Toronto

Transport and Telecommunications

R. T. Riley,
Vice-President Transport and Telecommunications,
Montreal

Financial Statements 1972
pages 8-14

Statement of Income for the year ended December 31

Income	1972	1971
	(in thousands)	
Income from Railway and Miscellaneous Sources		
Railway revenues (Note 3)	$709,814	$658,820
Railway expenses	621,989	589,664
Income taxes (Note 4)	30,200	23,400
	652,189	613,064
Net railway earnings	57,625	45,756
Other income before income taxes (Note 5)	25,180	31,597
Income taxes (Note 4)	4,336	5,006
Other income	20,844	26,591
Income before fixed charges	78,469	72,347
Fixed charges		
Interest and amortization of discount on long term debt and debenture stock	25,733	27,477
Other interest	5,069	3,148
Rent for leased roads	2,971	3,143
	33,773	33,768
Income from Railway and Miscellaneous Sources	44,696	38,579
Income (being dividends received) from		
Canadian Pacific Investments Limited	23,649	23,649
Canadian Pacific Air Lines, Limited	2,150	1,433
Income before Extraordinary Items	70,495	63,661
Extraordinary items (Note 6)	—	1,848
Income for the Year	$ 70,495	$ 65,509

Statement of Dividends Declared

	1972	1971
On 7¼ % Preferred stock (Per share – 1972 – 72.5¢; 1971 – 32¢)	$ 3,305	$ 1,464
On 4% Preference stock	545	1,938
On Ordinary stock		
From railway and miscellaneous sources (Per share – 1972 – 34¢; 1971 – 31¢)	24,365	22,215
Flow-through of dividends from		
Canadian Pacific Investments Limited (Per share – 1972 – 33¢; 1971 – 33¢)	23,649	23,649
Canadian Pacific Air Lines, Limited (Per share – 1972 – 3¢; 1971 – 2¢)	2,150	1,433
Total Ordinary (Per share – 1972 – 70¢; 1971 – 66¢)	50,164	47,297
Total Dividends	$ 54,014	$ 50,699

See Notes to Financial Statements

Statement of Retained Income for the year ended December 31

Retained Income

	1972	1971
	(in thousands)	
Balance, January 1		
As previously reported	**$777,489**	$762,679
Deduct:		
Tax settlement relating to 1969 (Note 16)	**4,572**	4,572
As restated	**772,917**	758,107
Add:		
Income for the year	**70,495**	65,509
	843,412	823,616
Deduct:		
Dividends		
7¼ % Preferred stock	**3,305**	1,464
4% Preference stock	**545**	1,938
Ordinary stock	**50,164**	47,297
	54,014	50,699
Balance, December 31	**$789,398**	$772,917

Statement of Source and Application of Funds for the year ended December 31

Source and Application of Funds

	1972	1971
	(in thousands)	
Source of Funds		
Income for the year	**$ 70,495**	$ 65,509
Depreciation	**77,225**	75,884
Deferred income taxes	**1,500**	4,100
Provision for impairment of investments	**5,355**	4,136
Funds from operations	**154,575**	149,629
Sales of investments	**7,875**	15,196
Deposits	**477**	2,897
Salvage from retired property	**16,385**	10,301
Property transfers to subsidiaries	**—**	8,409
Deferred aircraft lease payments	**10,034**	(3,449)
Issuance of long term debt	**36,052**	75,987
Sundries (net)	**3,873**	6,406
Decrease in working capital	**52,838**	(7,723)
	$282,109	$257,653
Application of Funds		
Purchase of investments	**$ 85,007**	$ 61,541
Reduction in long term debt	**19,340**	44,824
Redemption of preferred stock	**516**	285
Additions to properties	**123,232**	100,304
Dividends declared	**54,014**	50,699
	$282,109	$257,653

See Notes to Financial Statements

Balance Sheet, December 31

Balance Sheet

	1972	1971
	(in thousands)	
Assets		
Current Assets		
Cash and temporary investments, at cost (approximates market)	$ 95,390	$ 89,837
Dividend receivable from Canadian Pacific Investments Limited	12,165	12,165
Accounts receivable	117,416	123,796
Material and supplies, at cost or less	44,124	43,592
	269,095	269,390
Other Assets		
Deposits	2,274	2,751
Unamortized discount on long term debt	2,099	2,321
Other deferred charges	14,011	12,710
Deferred aircraft lease payments (Note 9)	59,165	69,199
	77,549	86,981
Insurance Fund, at cost (approximate market 1972 – $6,201,000; 1971 – $5,999,000)	6,922	6,798
Investments (Note 1)		
Subsidiary companies		
Canadian Pacific Investments Limited	321,606	321,606
Canadian Pacific Air Lines, Limited	30,000	30,000
Other subsidiary companies (including advances 1972 – $11,564,000; 1971 – $7,957,000) (Note 7)	271,521	202,253
Other investments (Note 8)	43,843	41,334
	666,970	595,193
Properties, at cost (Note 9)		
Railway	2,477,796	2,420,069
Telecommunications	138,779	136,222
Steamships	31,664	49,307
Hotels	22,823	22,275
Other	15,503	14,597
	2,686,565	2,642,470
Less: Accumulated depreciation	1,257,432	1,240,994
	1,429,133	1,401,476
	$2,449,669	$2,359,838

Auditors' Report to the Shareholders of Canadian Pacific Limited

We have examined the balance sheet of Canadian Pacific Limited as at December 31, 1972 and the statements of income, retained income and source and application of funds for the year then ended (as shown on pages 8 to 14 inclusive). Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at December 31, 1972 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.,
Chartered Accountants

Montreal, Quebec, March 9, 1973.

See Notes to Financial Statements

	1972	1971
	(in thousands)	
Liabilities		
Current Liabilities		
Bank loans	$ 9,972	$ 1,000
Accounts payable and wages accrued	97,881	92,634
Deposits by affiliated companies (net)	63,301	19,287
Demand loan from Canadian Pacific Securities Limited	25,000	25,000
Income and other taxes payable	14,629	8,018
Dividends payable	29,814	26,741
Long term debt due within one year	10,609	36,386
Other current liabilities	65,938	55,535
	317,144	264,601
Deferred Liabilities	15,190	12,363
Insurance Reserve	6,922	6,798
Long Term Debt (Note 10)	267,632	250,920
Perpetual 4% Consolidated Debenture Stock (Note 11)	292,549	292,549
Deferred Income Taxes	143,500	142,000
Shareholders' Equity		
Preferred stock (Note 12)		
Authorized – 24,926,732 shares of a par value of $10 each		
Issued – 4,543,480 7¼% Cumulative Redeemable Series A shares (1971 – 4,573,563 shares)	45,435	45,736
Preference stock – 4% non-cumulative (Note 12)		
Authorized – an amount not exceeding one-half the aggregate amount of Ordinary stock outstanding		
Issued – £872,507 in amounts of £1 and multiples thereof (1971 – £900,251)	4,246	4,381
– in amounts of $3 and multiples thereof	11,542	11,733
	15,788	16,114
Ordinary stock		
Authorized – 100,000,000 shares of a par value of $5 each		
Issued – 71,662,280 shares	358,311	358,311
Premium on stock	113,762	113,651
Donations and grants	84,038	83,878
Retained income	789,398	772,917
	1,406,732	1,390,607
	$2,449,669	$2,359,838

Approved on behalf of the Board:
Ian D. Sinclair, Director
F. S. Burbidge, Director

Notes

Notes to Financial Statements

1 – Investments

Owing to the statutory regulation of the chief operations carried on directly by Canadian Pacific Limited, the Company follows the practice of presenting the financial statements on a non-consolidated basis and of providing separate financial statements for the major subsidiaries. Accordingly, financial statements of Canadian Pacific Investments Limited, in which the Company held 99.73% of the common shares (90.78% of total voting shares) at December 31, 1972 (99.76% and 90.79% respectively at December 31, 1971) and of Canadian Pacific Air Lines, Limited, which is wholly-owned, are presented on pages 21 to 28 and 15 to 20 respectively.

It is the practice of the Company to carry investments in subsidiary and 50% owned companies at cost less provision for impairment in respect of companies with deficits. Profits are reflected in income only to the extent of dividends received or of reductions of previous provisions for impairment. Other investments are carried at cost.

The Company's equity in the net income of all subsidiaries for 1972 was $54,894,000 (1971 – $47,998,000). The income statement of the Company included $29,283,000 (1971 – $37,967,000) from subsidiaries. Its equity in the retained earnings of subsidiaries at December 31, 1972, since date of acquisition, is $225,619,000 (1971 – $200,008,000).

Earnings per share in 1972, before inclusion of equity in earnings of subsidiaries, amounted to 93¢ (1971 – 84¢ before extraordinary items and 87¢ in total). Assuming full dilution of the Company's interest in Canadian Pacific Investments Limited through conversion of preferred shares and exercise of warrants, earnings per share, including equity in earnings retained by subsidiaries, would be $1.21 before extraordinary items and $1.24 in total for 1972. In calculating such earnings, a return of prime bank rate on the proceeds of the exercise of warrants has been assumed.

2 – Foreign Exchange

Items in foreign currencies have been translated into Canadian dollars at current rates, except for properties and related depreciation, investments, long term debt and debenture and capital stocks, for which historical rates have been used. Gains or losses on exchange translation are included in or charged to other income.

3 – Railway Revenues

	1972	1971
	(in thousands)	
Freight revenue	$641,655	$595,399
Passenger services	19,297	20,443
Express	—	5,754
Other	18,495	15,410
Government payments	30,367	21,814
	$709,814	$658,820

4 – Income Taxes

The provision for income taxes reflected in income, in the total amount of $34,536,000 (1971 – $28,406,000), includes $1,500,000 (1971 – $4,100,000) in respect of deferred income taxes.

5 – Other Income

	1972	1971
	(in thousands)	
Net earnings from telecommunications	$ 7,080	$ 5,164
Net earnings from steamships	664	(2,119)
Income from miscellaneous sources	2,582	4,528
	10,326	7,573
Income from subsidiary companies excluding Canadian Pacific Investments Limited and Canadian Pacific Air Lines, Limited		
Dividends	8,881	17,003
Adjustment of provision for impairment of investments	(5,397)	(4,118)
	3,484	12,885
Interest	941	1,300
	4,425	14,185
Income from other investments	10,429	9,839
Other income before income taxes	25,180	31,597
Income taxes	4,336	5,006
Other income	$ 20,844	$ 26,591

6 – Extraordinary Items

The extraordinary item in 1971 represents the net gain on a sale of Shaughnessy Heights land to the City of Vancouver.

Notes to Financial Statements

7 – Investments – Other Subsidiary Companies

	Cost – less provision for impairment (in thousands)	Percentage of voting power
Canadian Pacific (Bermuda) Limited	$172,948	100
Canadian Pacific Steamships, Limited	10,300	100
Canadian Pacific Transport Company, Limited	35,227	100
CanPac International Freight Services Limited	1,500	100
CanPac Leasing Limited	5,000	100
Soo Line Railroad Company	42,415	56
Miscellaneous	4,131	
	$271,521	

8 – Other Investments

	Cost – less provision for impairment (in thousands)	Percentage of voting power
Northern Alberta Railways Company	$ 25,340	50
Telesat Canada	2,250	4
The Toronto, Hamilton and Buffalo Railway Company	512	27
The Toronto Terminals Railway Company	9,586	50
	37,688	
Deferred payments and mortgages on properties	1,319	
Miscellaneous	4,836	
	$ 43,843	

9 – Properties

Depreciation charged to income amounted to $77,225,000 in 1972 (1971 – $75,884,000) and was calculated on the straight-line basis at rates based upon the estimated service lives of depreciable property. For railway property, the rates used are as authorized by the Canadian Transport Commission.

Fifteen aircraft and related equipment leased, with an option to purchase, to Canadian Pacific Air Lines, Limited, are recorded in the balance sheet as deferred aircraft lease payments with the amount due in 1973 as current assets. The excess of the option price over the residual value of the aircraft is included with deferred liabilities until such time as the options to purchase are exercised.

10 – Long Term Debt

	Rate	Year of issue	Year of maturity	Principal outstanding 1972	1971
				(in thousands)	
Collateral Trust Bonds (a)					
Eighteen year	3¾ %	1954	1972	$ —	$ 18,868
Thirty year (b)	3½ %	1944	1974	**7,624**	7,624
Six year	8¼ %	1971	1977	**20,000**	20,000
Twenty-five year	5 %	1958	1983	**37,401**	37,401
Twenty year (c)	8¾ %-8½ %	1969	1989	**25,000**	25,000
Twenty-one year (d)	8⅞ %	1971	1992	**50,000**	50,000
				140,025	158,893
Equipment Trust Certificates (b)					
Series "P"	5 %	1966	1974-81	**14,278**	16,063
Series "R"	6⅜ %	1967	1982	**15,882**	16,559
Series "S"	6.9 %	1968	1983	**14,270**	14,270
Series "T"	8¼ %	1969	1984	**25,599**	25,653
				70,029	72,545
Bank and Sundry Borrowings					
Bank loan	7 %	1967	1973	—	6,000
Bank loans	Prime + ½ %	1969	1974	**10,000**	15,000
Bank loans	Prime + 1 %	1970	1975	**12,000**	24,000
Bank loans (b)	6 %	1970-71	1976-78	**8,881**	9,541
Bank loan (b)	7¼ %	1972	1980	**34,650**	—
Sundry	6-7 %	1971-72	1975-78	**2,656**	1,327
				68,187	55,868
				278,241	287,306
Less: Maturities and sinking fund requirements included in current liabilities				**10,609**	36,386
				$267,632	$250,920

(Note 10 continued on page 14)

Notes to Financial Statements

10 – Long Term Debt (continued)

Annual maturities and sinking fund requirements for each of the five years following 1972 are:

1973, $10,609,000; 1974, $28,079,000 (e) ; 1975, $17,251,000; 1976, $10,401,000; 1977, $30,402,000.

(a) Secured by pledge of Perpetual 4% Consolidated Debenture Stock aggregating, in principal amount, $242,719,000 at December 31, 1972 (1971 – $265,360,000).
(b) Issued in U.S. funds; principal outstanding expressed as Canadian equivalent at rates ruling at date of issue.
(c) Subject to prepayment on November 1, 1974 at the holder's option. Subject thereafter to a sinking fund.
(d) Subject to a sinking fund from August 1, 1977 to 1991.
(e) Excluding the $25,000,000 Twenty Year Collateral Trust Bonds, subject to prepayment in 1974 at the holder's option.

11 – Perpetual 4% Consolidated Debenture Stock

	Sterling	United States currency	Canadian currency	Total (in thousands)
Issued	£46,757	$72,838	$234,881	$535,268
Less: Pledged as collateral	—	7,838	234,881	242,719
	£46,757	$65,000	$ —	$292,549

Sterling translated at Can. $4.86⅔ to the £1; U.S. dollars at par.

12 – Preferred Stock

The series A preferred shares are redeemable at the Company's option after January 1, 1978 at $10.50 on or before January 1, 1981; at $10.25 thereafter and on or before January 1, 1984; and at $10.00 thereafter.

The Company is obligated to apply up to $2,000,000 in each year to the purchase of series A shares, if available at a price not exceeding $10.50 per share plus costs of purchase. The price decreases to $10.25 after January 1, 1981, and $10.00 after January 1, 1984.

In 1972, 47,418 shares were purchased for $516,000; in 1971, 25,850 shares were purchased for $285,000.

In 1972, a further 17,335 series A shares were issued in exchange for $190,665 Canadian dollar and £27,744 sterling preference stock. Exchange of these shares had been delayed pending settlement of estates.

13 – Pension Plan

The unfunded liability at December 31, 1972, as determined by an actuarial evaluation, amounted to $352,191,000 of which $77,462,000 is being funded by equal annual payments to 1992 and $274,729,000 is being funded by equal annual payments to 2027.

14 – Contingent Liabilities and Commitments

The Company is contingently liable to purchase promissory notes of Canadian Pacific Air Lines, Limited in the amount of U.S. $8,293,000 held by the Export-Import Bank of the United States.

The Company has made an agreement with the Export-Import Bank of the United States to unconditionally guarantee payment of principal and interest of a loan of U.S. $3,780,000 to CanPac Leasing Limited.

The Company is contingently liable under guarantees of bank loans in the amounts of £2,590,000 and $1,700,000.

The Company had placed orders or was otherwise committed to capital expenditures in the amount of $87,490,000 at December 31, 1972 (1971 – $64,723,000). Included in 1972 commitments was $52,251,000 related to two Boeing 747 aircraft, estimated to cost in total $61,000,000, which will be leased to Canadian Pacific Air Lines, Limited.

Annual commitments for rent for leased roads amounted to approximately $2,950,000 at December 31, 1972 (1971 – $3,100,000).

Commitments for rent for freight cars leased for varying periods through to 1988 amounted to approximately $34,500,000 at December 31, 1972 (1971 – through to 1986, $32,800,000).

15 – Subsequent Financing

Arrangements have been made for term loans of $30,000,000, bearing interest at prime rate plus 1%, but with a maximum of 8¼%, and approximately U.S. $31,000,000, bearing interest at 6%.

16 – Restatement of Comparative Figures

In 1972, the Company paid $4,572,000 in respect of British Columbia logging tax for the year 1969 relating to a subsidiary, Esquimalt and Nanaimo Railway Company. This amount has been charged to retained income in 1972 as a prior period adjustment, and retained income reported for 1971 has been restated accordingly.

Certain other figures for 1971 have been restated where necessary to conform with the presentation adopted in 1972.

Canadian Pacific Air Lines, Limited

Board of Directors and Officers

Directors

Thomas J. Bata,
President,
Bata Limited, Toronto

Charles R. Bronfman,
President,
The House of Seagram Ltd., Montreal

John C. Gilmer,
President and Chief Executive Officer,
Canadian Pacific Air Lines, Limited, Vancouver

John B. Hamilton, Q.C.,
Senior Partner,
Hamilton & Torrance, Toronto

Allard Jiskoot,
Partner,
Pierson, Heldring & Pierson,
Amsterdam, The Netherlands

Hon. Ernest C. Manning, P.C., C.C.,
President,
M and M Systems Research Ltd., Edmonton

Hugh A. Martin,
President,
Western Construction & Engineering Research Ltd.,
Vancouver

Jean P. W. Ostiguy,
President,
Crang & Ostiguy Inc., Montreal

George E. Sharpe,
President,
Sharpe's Limited, Winnipeg

Ian D. Sinclair,
Chairman and Chief Executive Officer,
Canadian Pacific Limited, Montreal

Officers

Ian D. Sinclair,
Chairman

John C. Gilmer,
President and Chief Executive Officer

H. D. Cameron,
Vice-President, International and Corporate Services

Ian A. Gray,
Vice-President, Technical Services

G. E. Manning,
Vice-President, Customer Service

C. F. O'Brien,
Vice-President and Comptroller

R. B. Phillips,
Vice-President, Flight Operations

H. Bryan Renwick,
Vice-President, Marketing and Sales

John W. H. Crawford,
Treasurer and Secretary

Executive Offices,
1281 West Georgia Street,
Vancouver 5, B.C., Canada

Financial Statements 1972
pages 16-20

Statement of Income for the year ended December 31

	1972	1971
	(in thousands)	
Operating Revenues		
Passenger	**$141,663**	$129,148
Cargo	**13,219**	11,789
Mail	**7,758**	8,196
Charter	**4,288**	5,792
Other	**5,220**	3,020
	172,148	157,945
Operating Expenses		
Flying operations	**37,700**	36,709
Maintenance	**18,574**	16,684
Passenger service	**19,745**	17,923
Aircraft and traffic servicing	**23,432**	20,726
Sales and promotion	**32,578**	30,328
General and administrative	**10,845**	9,578
Depreciation	**16,549**	16,649
	159,423	148,597
Operating Income	**12,725**	9,348
Non-operating Income (Expense)		
Investment income (Note 7)	**2,313**	1,633
Exchange gain on U.S. debt repayments	**367**	—
Loss on disposal of properties (net)	**(94)**	(26)
Interest on demand loan	**(1,218)**	(1,307)
Interest on long term debt	**(4,422)**	(5,408)
Income before Income Taxes	**9,671**	4,240
Provision for income taxes – current	**1,750**	—
– deferred	**2,760**	2,100
	4,510	2,100
Net Income	**$ 5,161**	$ 2,140

See Notes to Financial Statements

Statement of Retained Income for the year ended December 31

Retained Income

	1972	1971
	(in thousands)	
Balance, January 1	**$ 3,877**	$ 3,170
Add:		
Net income for the year	**5,161**	2,140
	9,038	5,310
Deduct:		
Dividends		
Preference shares	**500**	500
Ordinary shares	**1,650**	933
	2,150	1,433
Balance, December 31	**$ 6,888**	$ 3,877

Statement of Source and Application of Funds for the year ended December 31

Source and Application of Funds

	1972	1971
	(in thousands)	
Source of Funds		
Net income	**$ 5,161**	$ 2,140
Depreciation (Note 8)	**17,276**	16,649
Deferred income taxes	**2,760**	2,100
Deferred charges	**288**	144
Funds from operations	**25,485**	21,033
Disposal of properties (net)	**1,288**	368
Long term borrowings	**10,893**	15,040
Agreement for sale	**—**	788
	$37,666	$37,229
Application of Funds		
Additions to properties	**$12,011**	$19,528
Reduction of long term debt	**15,004**	13,085
Dividends	**2,150**	1,433
Agreement for sale	**500**	—
Deferred charges	**—**	864
Increase in working capital	**8,001**	2,319
	$37,666	$37,229

See Notes to Financial Statements

Balance Sheet

Balance Sheet, December 31

	1972	1971
	(in thousands)	
Assets		
Current Assets		
Cash	$ 2,636	$ 4,490
Deposits with Canadian Pacific Limited	36,694	19,718
Accounts receivable	15,020	13,387
Material and supplies, at average cost	5,655	6,087
Prepaid expenses	966	695
	60,971	44,377
Agreement for Sale	500	—
Properties, at cost		
Flight equipment (Note 1)	187,503	176,648
Buildings and ground equipment	37,984	38,452
	225,487	215,100
Less: Accumulated depreciation	90,439	73,498
	135,048	141,602
Deferred Charges (Note 2)	432	720
	$196,951	$186,699

Auditors' Report to the Shareholders of Canadian Pacific Air Lines, Limited

We have examined the balance sheet of Canadian Pacific Air Lines, Limited as at December 31, 1972 and the statements of income, retained income and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1972 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.,
Chartered Accountants.
February 23, 1973,
Vancouver, B.C.

See Notes to Financial Statements

	1972	1971
	(in thousands)	
Liabilities		
Current Liabilities		
Accounts payable and accrued charges	$ 26,150	$ 23,987
Accounts payable to affiliated companies	119	100
Income taxes payable	1,750	—
Demand loan from Canadian Pacific Securities Limited	18,000	18,000
Unearned transportation revenue	10,891	8,719
Current portion of long term debt (Notes 1 and 3)	14,631	12,142
	71,541	62,948
Long Term Debt (Notes 1 and 3)	74,052	78,164
Deferred Income Taxes	14,470	11,710
Shareholders' Equity		
Capital Stock		
Authorized and issued:		
2,000,000 5% Cumulative Redeemable Preference shares of $5 par value	10,000	10,000
4,000,000 Ordinary shares of no par value	20,000	20,000
	30,000	30,000
Retained Income	6,888	3,877
	36,888	33,877
	$196,951	$186,699

Approved on behalf of the Board:
J. C. Gilmer, Director
Ian D. Sinclair, Director

Notes to Financial Statements

1 – Accounting for Leased Aircraft
The Company leases eleven Douglas DC-8 and four Boeing 727 aircraft and related equipment from Canadian Pacific Limited, and one Douglas DC-8 from CanPac Leasing Limited. For financial statement purposes these assets are treated as though they are owned. The present value of lease obligations which are payable within one year has been included with current liabilities and the remainder shown as long term debt.

Depreciation in respect of all leased and owned aircraft is based on an estimated useful economic life of approximately twelve years and is charged to operations on a straight-line basis.

2 – Deferred Charges
Severance pay totalling $864,000, which was paid in June 1971 to navigators displaced by installation of inertial navigation systems, is being amortized over thirty-six months from the date of payment. In 1972, $288,000 was charged to operations.

3 – Long Term Debt

	1972	1971
a) A 6% loan from the Export-Import Bank of the United States, repayable semi-annually in equal instalments between June 15, 1973 and December 15, 1975 U.S. $8,293,000 (1971 – $9,675,000)	**$ 8,741,000**	$10,459,000
Less: Amount included in current liabilities	**2,764,000**	1,494,000
	5,977,000	8,965,000
b) Aircraft lease obligations (Note 1)	**68,075,000**	69,199,000
	$74,052,000	$78,164,000

Repayments on long term debt (including aircraft lease obligations) during each of the next five years are approximately as follows: 1973 – $14,631,000; 1974 – $14,854,000; 1975 – $11,948,000; 1976 – $8,845,000; 1977 – $8,845,000.

4 – Contingent Liability
Notes discounted with banks in respect of tickets purchased under the time payment plan total $3,734,000 (1971 – $4,015,000).

5 – Commitments
The Company has agreed to lease two Boeing 747 aircraft from Canadian Pacific Limited, commencing early in 1974. Total estimated rentals payable under this agreement, excluding interest, amount to $61,000,000. In support of these aircraft the Company will be required to purchase rotable spares and ground equipment, the total cost of which is estimated to be $12,600,000.

During 1973, ten Douglas DC-8 aircraft owned by Canadian Pacific Limited and one Douglas DC-8 owned by CanPac Leasing Limited will be extensively modified and refurbished. Additional rentals payable over the remaining terms of the leases to cover the cost of these modifications will be approximately $5,300,000.

6 – Pension Plan Liability
Effective July 1, 1972, certain improvements were made to pension plan benefits, and an actuarial evaluation of the plan as at that date indicated a revised unfunded liability for past service benefits of $16,271,000 (1971 – $5,164,000). Company contributions to the pension plan totalled $2,866,000, of which $1,397,000 was in respect of past service benefits. The remaining unfunded liability will be funded and charged to operations in equal amounts over the next twenty years.

7 – Investment Income
Interest earned on deposits with Canadian Pacific Limited totalled $1,970,000 (1971 – $1,169,000).

8 – Depreciation Expense
In addition to depreciation of $16,549,000 shown separately in Operating Expenses, depreciation in the amount of $727,000 in respect of a Douglas DC-8 aircraft leased to another carrier has been charged against the applicable rental included with Other Operating Revenues.

9 – Remuneration of Directors and Officers
Total remuneration of the Company's ten directors in their capacity as directors amounted to $15,000 (1971 – $14,000). The nine officers, two of whom are also directors, received remuneration in their capacity as officers in the aggregate amount of $303,000 (1971 – $283,000).

10 – Restatement of Comparative Figures
Figures for 1971 have been restated where necessary to conform with the presentation adopted for 1972.

Canadian Pacific Investments Limited

Board of Directors and Officers

Directors

*W. A. Arbuckle,
Chairman of the Canadian Board,
The Standard Life Assurance Company, Montreal

*F. S. Burbidge,
President,
Canadian Pacific Limited, Montreal

*A. M. Campbell,
Chairman and Chief Executive Officer,
Sun Life Assurance Company of Canada, Montreal

R. W. Campbell,
Chairman of the Board and Chief Executive Officer,
PanCanadian Petroleum Limited, Calgary

R. Hendricks,
Chairman and Chief Executive Officer,
Cominco Ltd., Vancouver

S. E. Nixon,
Chairman,
Celanese Canada Limited, Montreal

H. M. Pickard,
Executive Vice-President,
Canadian Pacific Investments Limited, Calgary

*The Hon. Duff Roblin, P.C., C.C.,
President,
Canadian Pacific Investments Limited, Montreal

*Ian D. Sinclair,
Chairman and Chief Executive Officer,
Canadian Pacific Limited, Montreal

*Member of Executive Committee

Officers

Ian D. Sinclair,
Chairman and Chief Executive Officer,
Montreal

The Hon. Duff Roblin, P.C., C.C.,
President,
Montreal

H. M. Pickard,
Executive Vice-President,
Calgary

P. A. Nepveu,
Vice-President and Comptroller,
Montreal

D. E. Sloan,
Treasurer,
Montreal

G. S. MacLean,
Secretary,
Montreal

Transfer Agent and Registrar

Montreal Trust Company, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver

Stock Listings

Preferred Shares, Series A:
Montreal, Toronto and Vancouver Stock Exchanges

Financial Statements 1972
pages 22-28

Consolidated Income

Statement of Consolidated Income for the year ended December 31

	1972	1971
	(in thousands)	
Oil and Gas		
Gross operating revenue	**$47,603**	$40,005
Expenses including income taxes	**34,218**	27,145
Net income	**13,385**	12,860
Timberlands and Related Facilities		
Sales and operating revenue	**25,232**	21,601
Expenses including income taxes	**21,867**	19,890
Net income	**3,365**	1,711
Real Estate and Related Operations		
Gross rentals and other income	**32,709**	23,266
Expenses including income taxes	**29,344**	21,810
Net income	**3,365**	1,456
Hotels and Restaurants		
Gross operating revenue	**56,621**	50,736
Expenses including income taxes	**53,661**	48,334
Net income	**2,960**	2,402
Financing		
Gross operating revenue	**14,388**	15,617
Expenses including income taxes	**14,276**	15,512
Net income	**112**	105
Investment Income		
Gross income	**7,652**	5,967
Expenses including income taxes	**838**	733
Net income	**6,814**	5,234
Net Income from Operations (after income taxes of – 1972 – $13,470,000; 1971 – $11,404,000) (Note 8)	**30,001**	23,768
Equity in Income of Subsidiaries not Consolidated (Note 2)		
Cominco Ltd.	**11,306**	7,138
The Great Lakes Paper Company, Limited	**834**	1,647
Other	**180**	182
	12,320	8,967
Income before Extraordinary Items	**42,321**	32,735
Extraordinary items (Note 7) (after income taxes of – 1972 – $270,000; 1971 – nil) (Note 8)	**1,936**	3,043
Net Income	**$44,257**	$35,778
Earnings per common share (Note 12)		
Income before extraordinary items	**75¢**	56¢
Net income	**79¢**	62¢

See Notes to Financial Statements

Consolidated Retained Income

Statement of Consolidated Retained Income for the year ended December 31

	1972	1971
	(in thousands)	
Balance, January 1	**$163,601**	$156,246
Add:		
Net income for the year	**44,257**	35,778
	207,858	192,024
Deduct:		
Dividends		
Preferred shares	**4,696**	4,705
Common shares	**23,727**	23,718
	28,423	28,423
Balance, December 31	**$179,435**	$163,601

Consolidated Source and Application of Funds

Statement of Consolidated Source and Application of Funds for the year ended December 31

		1972	1971
		(in thousands)	
Source of Funds			
Net income		**$ 44,257**	$ 35,778
Add/(Deduct)			
Equity in net income of subsidiaries not consolidated		**(11,753)**	(10,657)
Depreciation, depletion and amortization		**21,602**	17,637
Deferred income taxes		**8,450**	7,185
Minority interest in income of a subsidiary		**1,883**	1,453
Dividends from subsidiaries not consolidated		**7,898**	7,495
Funds from operations		**72,337**	58,891
Capital stock issued			
Common			
Issued	$151		
Less: Conversion of preferred shares	147	**4**	86
Increase in long term debt		**54,926**	33,687
Proceeds from disposal of properties		**6,750**	7,275
Issue of shares of PanCanadian Petroleum Limited to acquire property		**—**	9,158
Decrease in other investments		**42**	(3,689)
		$134,059	$105,408
Application of Funds			
Additions to investment portfolio		**$ 5,114**	$ (47,349)*
Investment in subsidiary companies not consolidated		**7,009**	23,690 *
Additions to properties		**54,834**	63,098
Dividends declared		**28,423**	28,423
Sundries (net)		**1,460**	4,928
Increase in working capital		**37,219**	32,618
		$134,059	$105,408

*Includes transfer of investment in The Great Lakes Paper Company, Limited.

See Notes to Financial Statements

Consolidated Balance Sheet, December 31

Consolidated Balance Sheet

	1972	1971
		(in thousands)
Assets		
Current Assets		
Cash and temporary investments, at cost (approximates market)	$ 48,759	$ 56,076
Deposits with Canadian Pacific Limited	36,711	5,868
Demand loan – Canadian Pacific Limited	25,000	25,000
Demand loans and accrued interest – other affiliated companies	18,203	18,203
Dividends and other accrued interest receivable	1,802	1,393
Accounts receivable	16,656	14,720
Inventories, at the lower of cost and market	6,567	4,397
Prepaid expenses	1,933	1,288
	155,631	126,945
Investment Portfolio, at cost (market value 1972 – $225,652,000; 1971 – $194,073,000)	229,474	224,360
Investments in Subsidiary Companies not Consolidated (Note 2)		
Cominco Ltd.	179,985	171,157
The Great Lakes Paper Company, Limited	44,701	44,116
Other	17,788	16,337
	242,474	231,610
Other Investments, at cost	31,182	31,224
Properties, at cost		
Oil and gas	283,870	260,980
Timberlands and related facilities	72,316	65,838
Real estate and related operations	159,910	155,585
Hotels	77,137	70,121
	593,233	552,524
Less: Accumulated depreciation, depletion and amortization	122,944	102,544
	470,289	449,980
Other Assets	12,128	6,578
	$1,141,178	$1,070,697

Auditors' Report to the Shareholders of Canadian Pacific Investments Limited

We have examined the consolidated balance sheet of Canadian Pacific Investments Limited and subsidiary companies as at December 31, 1972 and the statements of consolidated income, consolidated retained income and consolidated source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. In respect of the equity in the undistributed net income of Cominco Ltd. and The Great Lakes Paper Company, Limited, we have relied upon the reports of the auditors who examined their financial statements.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, subject to possible adjustments which may result in the future from resolution of the matters referred to in the third paragraph of Note 2.

Price Waterhouse & Co.,
Chartered Accountants
Montreal, Quebec, March 8, 1973.

See Notes to Financial Statements

	1972	1971
		(in thousands)
Liabilities		
Current Liabilities		
Bank loans	$ 4,134	$ 722
Accounts payable and accrued charges		
Canadian Pacific Limited	2,695	4,201
Other	25,778	18,860
Notes and accrued interest payable	107,448	130,549
Income and other taxes payable	3,013	3,824
Dividends payable	12,198	12,194
Long term debt maturing within one year	11,903	5,352
	167,169	175,702
Deferred Liabilities	6,333	6,685
Long Term Debt (Note 4)	205,639	150,713
Minority Shareholders' Interest in Subsidiary Company	15,110	14,395
Deferred Income Taxes	63,924	56,037
Shareholders' Equity		
Capital Stock – (Note 3)		
Preferred shares		
Authorized – 12,500,000 shares of a par value of $20 each		
Issued – 4,939,308 (1971 – 4,946,663) 4¾% Cumulative Redeemable Convertible Voting, Series A	98,786	98,933
Common shares		
Authorized – 100,000,000 shares without nominal or par value		
Issued – 50,134,864 (1971 – 50,119,859) shares	322,982	322,831
Paid-in surplus	81,800	81,800
Retained income (Note 3)	179,435	163,601
	683,003	667,165
	$1,141,178	$1,070,697

Approved on behalf of the Board
Ian D. Sinclair, Director
Duff Roblin, Director

Consolidated Investment Portfolio

Consolidated Investment Portfolio as at December 31, 1972

	Number of Shares	Percentage of Outstanding Voting Shares	Cost	Approximate Market Value
			(in thousands)	
Common Stocks				
Husky Oil Ltd.	452,400	4.69	$ 5,179	$ 8,483
The Investors Group	300,000	4.38	3,650	3,300
MacMillan Bloedel Limited	2,574,800	12.33	74,775	64,370
Northern and Central Gas Corporation Limited	358,200	2.20	5,015	4,298
Rio Algom Mines Limited	1,210,869	9.88	28,280	23,007
TransCanada PipeLines Limited	1,200,000	13.03	44,613	52,800
Union Carbide Canada Limited	825,300	8.25	18,375	13,514
Other			1,627	7,423
			181,514	177,195
Preferred Stocks			34,215	35,712
Bonds, Debentures and Notes			13,745	12,745
			$229,474	$225,652

Notes

Notes to Financial Statements

1 – Basis of Consolidation

The consolidated financial statements of Canadian Pacific Investments Limited (CPI) include the accounts of all wholly-owned subsidiaries (Marathon Realty Company Limited, Pacific Logging Company Limited, Canadian Pacific Hotels Limited, Canadian Pacific Securities Limited) and PanCanadian Petroleum Limited (PanCanadian), in which CPI has an interest of 87.13%. The minority interest in income of PanCanadian amounts to $1,883,000 for the year 1972 and $1,453,000 for the year 1971.

In August 1972 CPI sold a 40% interest in CanPac Minerals Limited (formerly a wholly-owned consolidated subsidiary) to Cominco Ltd., and the investment in CanPac Minerals Limited is carried on the equity basis from that date. The consideration for the sale was $8,000,000, satisfied by the issue of 271,370 shares of Cominco at the market value of $29.48 per share.

The statement of consolidated income is designed to present the revenues and expenses of the various areas of the companies' operations. To this end, certain operating revenues include amounts charged to other consolidated entities and reflected in expenses elsewhere in the statement. Consolidated net income is not affected by this practice.

2 – Investments in Subsidiary Companies not Consolidated

The financial statements of Cominco Ltd., 54.0% owned, The Great Lakes Paper Company, Limited, (Great Lakes), 51.91% owned, and other unconsolidated subsidiaries are not consolidated because of the existence of substantial minority interests. Other unconsolidated subsidiaries include Fording Coal Limited, 60% owned (cost $9,600,000), and, from August 1972, CanPac Minerals Limited, 60% owned (cost $3,936,000). The equity method of accounting has been followed in stating the investments in these companies, so that CPI includes each year in consolidated income its share of their income.

The initial operations of Fording Coal Limited have been in preparation for production on a full commercial scale. Accordingly, in Fording's financial statements at December 31, 1972 the costs of operations, less realizations from shipments, have been capitalized to be written off in future years.

The notes to the 1972 financial statements of Cominco Ltd. refer to the following: (a) disputed income tax assessments involving possible additional taxes aggregating $1,600,000 for the five years ended December 31, 1972; (b) the costs of $9,762,000 incurred in the rehabilitation of the Saskatchewan potash mine after flooding in 1970, which are included as assets in Cominco's 1972 balance sheet. Legal counsel of Cominco have advised that in their opinion there are good grounds for establishing liability against the contractors.

An analysis of investments in unconsolidated subsidiaries is shown below:

	Investments in Cominco Ltd.	Great Lakes	Other
	(in thousands)		
Cost of acquisition	$ 36,536	$ 43,968	$ 16,464
Adjustment of cost of shares acquired from Canadian Pacific Limited to equity in underlying assets at December 31, 1963	81,800	—	—
Equity in net income since acquisition, less dividends received	59,366	733	(236)
Equity in other increases in retained income	2,283	—	—
	179,985	44,701	16,228
Advances	—	—	1,560
	$179,985	$ 44,701	$ 17,788

Notes to Financial Statements

3 – Capital Stock

Each preferred share, series A, is convertible at the option of the holder to November 1, 1977 into two common shares, and is redeemable at CPI's option at $20 per share.

At December 31, 1972, 4,986,520 warrants for the purchase of common shares were outstanding. Each warrant entitles the holder to purchase one common share at $14 per share on or before November 1, 1974.

In 1972 a total of 15,005 common shares was issued, consisting of 295 shares on exercise of warrants and 14,710 shares on conversion of preferred shares.

Conditions attached to the preferred shares include certain restrictions on distributions on shares ranking junior to the preferred shares. The amount of retained income available for such distributions was approximately $103,000,000 at December 31, 1972.

4 – Long Term Debt

	1972	1971
	(in thousands)	
Canadian Pacific Hotels Limited		
8⅝% First Mortgage Sinking Fund Bonds, Series A due 1992	$ 20,000	$ —
Sundry – 6.85% 1973-1977	986	—
Canadian Pacific Securities Limited		
7% bank term loan repayable 1979	25,000	25,000
9½% Sinking Fund Debentures due 1990	25,000	25,000
9⅜% Sinking Fund Debentures due 1990	40,000	40,000
Marathon Realty Company Limited		
Sundry loans and mortgages payable 1973-1974	6,672	5,905
7⅛% bank term loan due 1976	7,400	7,030
Foundation-Scottish Properties Limited (a subsidiary of Marathon Realty Company Limited)		
6½% First Mortgage Bonds maturing 1995, sinking fund payments 1973-1994	10,371	10,606
Pacific Logging Company Limited		
Term loans bearing interest at prime rate plus ¼% – ¾% repayable 1973-1978	7,218	6,900
PanCanadian Petroleum Limited		
Bank loans bearing interest at prime rate plus ¼% – ½% repayable 1973-1979	24,895	35,624
8⅛% Sinking Fund Secured Debentures due 1992	25,000	—
8¾% Sinking Fund Secured Debentures due 1992	25,000	—
	217,542	156,065
Less: Long term debt maturing within one year	11,903	5,352
	$205,639	$150,713

Annual maturities and sinking fund requirements for each of the five years following 1972 are: 1973, $11,903,000; 1974, $6,134,000; 1975, $13,700,000; 1976, $13,077,000; 1977, $5,061,000.

5 – Interest Expense

Interest on long term debt for 1972 was $23,355,000 (1971 – $18,131,000) and on short term notes $6,091,000 (1971 – $8,325,000).

6 – Depreciation, Depletion and Amortization

Amounts charged for depreciation, depletion and amortization in the statement of consolidated income were $21,602,000 in 1972 (1971 – $17,637,000).

The sinking fund method of providing for depreciation is used for major real estate developments. The sinking fund method will write off the cost of the buildings over a maximum period of 40 years in a series of annual instalments increasing at the rate of 5% compounded annually. Under this method depreciation charged to income in later years will be substantially higher than the amount charged in earlier years.

The amount of depletion charged to income for the year 1972 was $11,316,000 (1971 – $8,987,000) and the accumulated depletion at December 31, 1972 was $65,362,000 (1971 – $54,327,000).

7 – Extraordinary Items

Extraordinary items comprise, in 1972, net gain on disposal of 40% interest in CanPac Minerals Limited, after appropriate elimination of inter-company profit, $1,425,000; net gain on disposal of other investments, $1,078,000; and equity in loss on disposal of a mill by Cominco Ltd., $567,000; and, in 1971, gain on disposal of investments, $996,000; gain on conversion of bank loan from U.S. to Canadian currency, $357,000; equity in proceeds from grant of river and water storage rights of Cominco Ltd., $1,460,000; and equity in reduction in income taxes of a subsidiary of Cominco Ltd. resulting from losses and tax credits of prior years, $230,000.

Notes to Financial Statements

8 – Income Taxes

The provision for income taxes reflected in net income, in the total amount of $13,740,000 (1971 – $11,404,000) includes $8,450,000 (1971 – $7,185,000) in respect of deferred income taxes.

The companies follow the tax allocation basis of accounting for income taxes. For timing differences relating to oil and gas exploration and drilling expenditures, the practice of providing deferred taxes at an estimated rate has been consistently followed, although it is the general practice in the oil and gas industry to make no provision for taxes so deferred. If current effective rates had been used, deferred taxes for 1972 would have been $2,700,000 greater (1971 – $2,300,000) and the cumulative total to December 31, 1972 would have been increased by $18,700,000.

9 – Commitments and Contingencies

Commitments for capital expenditures at December 31, 1972 were $27,600,000 (1971 – $14,000,000).

At December 31, 1972, CPI had guaranteed 60% and Cominco Ltd. 40% of borrowings of approximately $74,000,000 by Fording Coal Limited, and the companies are providing some interim financing.

Loans guaranteed by a subsidiary amounted to $18,731,000.

10 – Foreign Exchange

Current assets and current liabilities in foreign currency have been translated into Canadian dollars at current rates; other assets and liabilities (which are not significant in amount) have been translated at historical rates. Gains or losses on exchange are included in or charged to income.

11 – Directors' and Officers' Remuneration

Aggregate remuneration paid to persons who served as directors and officers of CPI at any time during the year was as follows:

	1972		1971	
	(9 directors, 4 of whom were officers)		(9 directors, 5 of whom were officers)	
Paying Company	As Directors	As Officers	As Directors	As Officers
CPI	$ 23,000	$147,000	$ 18,000	$131,000
Cominco Ltd.	35,000	146,000	24,000	139,000
Other subsidiaries, principally PanCanadian	16,000	10,000	18,000	8,000

12 – Earnings per Share

Assuming full dilution through conversion of preferred shares and exercise of warrants, earnings per share for 1972 would be 68¢ before extraordinary items and 71¢ in total. In calculating such earnings, a return of prime bank rate on the proceeds of the exercise of warrants has been assumed.

13 – Pension Costs

The unfunded past service liability, as previously determined by an actuarial survey, is estimated at December 31, 1972 to be about $2,200,000. This amount is being funded by equal annual payments to 1990.

14 – Restatement of Comparative Figures

Figures for 1971 have been restated where necessary to conform with the presentation adopted for 1972.

15 – Subsequent Event

Effective January 31, 1973 PanCanadian purchased all of the outstanding shares of TransCanada Petroleums Limited for a cash consideration of $32,000,000.

Five-year Summaries

Canadian Pacific Limited

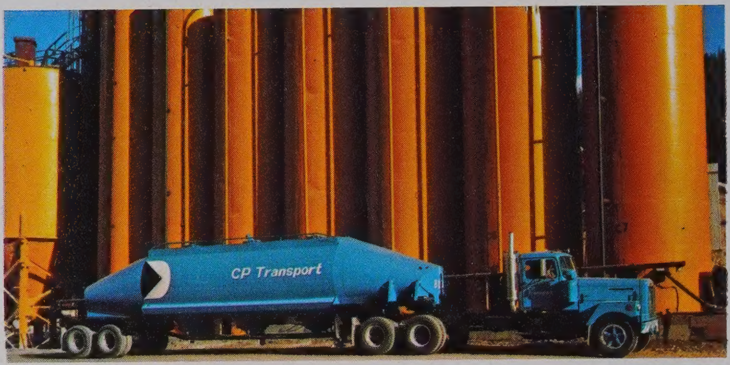
	1968	1969	1970	1971	**1972**
	Figures in millions, except amounts per share				
Net railway earnings	$41.3	$34.6	$38.4	$45.8	**$57.6**
Other income	23.4	19.2	18.2	26.6	**20.9**
Income before fixed charges	64.7	53.8	56.6	72.4	**78.5**
Fixed charges	21.9	22.4	27.8	33.8	**33.8**
Income from railway and miscellaneous sources	42.8	31.4	28.8	38.6	**44.7**
Income (being dividends received) from					
Canadian Pacific Investments Limited	21.5	23.0	23.6	23.6	**23.6**
Canadian Pacific Air Lines, Limited	1.6	1.4	1.4	1.4	**2.2**
Total, excluding earnings retained by subsidiaries and before extraordinary items	65.9	55.8	53.8	63.6	**70.5**
Equity in earnings retained by subsidiaries	18.2	16.8	10.4	7.0	**23.7**
Total before extraordinary items	84.1	72.6	64.2	70.6	**94.2**
Extraordinary items	(6.8)	(1.4)	1.5	4.9	**1.9**
Total	$77.3	$71.2	$65.7	$75.5	**$96.1**
Per Ordinary share					
Total earnings before extraordinary items	$1.13	$ .97	$ .85	$ .94	**$1.26**
Total earnings	1.03	.95	.87	1.01	**1.29**
Dividends	.60	.64	.65	.66	**.70**

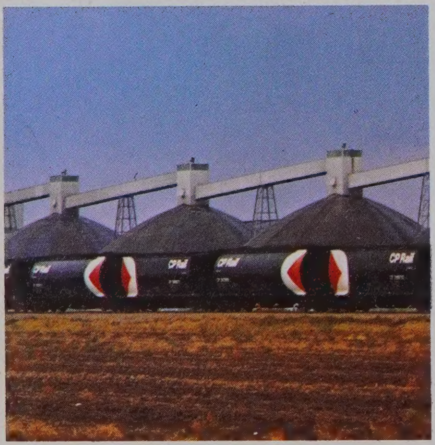
Canadian Pacific Air Lines, Limited

	1968	1969	1970	1971	**1972**
	Figures in thousands, except cents and percentages				
Operating revenues	$106,698	$133,717	$149,583	$157,945	**$172,148**
Operating income	7,927	11,677	6,551	9,348	**12,725**
Net income	2,375	3,495	1,003	2,140	**5,161**
Passengers carried	1,036	1,277	1,437	1,520	**1,669**
Revenue passenger miles	1,651,908	2,218,463	2,601,195	2,621,256	**2,890,606**
Passenger load factor – scheduled services	49.3%	50.2%	52.4%	54.6%	**63.5%**
Revenue per passenger mile – scheduled services	5.41¢	5.41¢	5.13¢	5.36¢	**5.15¢**

Canadian Pacific Investments Limited

	1968	1969	1970	1971	**1972**
	Figures in thousands, except amounts per share				
Net income from operations					
Oil and gas	$11,850	$11,231	$10,903	$12,860	**$13,385**
Timberlands and related facilities	2,435	3,110	1,683	1,711	**3,365**
Real estate and related operations	1,302	2,071	1,595	1,456	**3,365**
Hotels and restaurants	(443)	864	877	2,402	**2,960**
Financing	150	128	126	105	**112**
Investment income	10,405	9,420	9,374	5,234	**6,814**
	25,699	26,824	24,558	23,768	**30,001**
Equity in income of subsidiaries not consolidated	16,359	14,130	13,234	8,967	**12,320**
Income before extraordinary items	42,058	40,954	37,792	32,735	**42,321**
Extraordinary items	1,330	3,158	1,510	3,043	**1,936**
Net Income	$43,388	$44,112	$39,302	$35,778	**$44,257**
Per Common share					
Income before extraordinary items	74¢	72¢	66¢	56¢	**75¢**
Net income	77	78	69	62	**79**
Dividends	43	46	47.33	47.33	**47.33**





PRINTED IN CANADA